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AICPA *Washington Report*

September 4, 1978, Volume VII, Issue 28

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AGRICULTURE, DEPARTMENT OF

A final rule issued on audit funds for the Child Care Food Program was published in the 8/25/78 Fed. Reg., pp. 37979-80. Under this rule, two percent of the program funds used by an individual State agency in a fiscal year must be used to satisfy the audit requirement. Audits must be performed in accordance with requirements set forth by the Department.

CIVIL AERONAUTICS BOARD

A directive clarifying common Form 41 reporting problems has been issued by the Board (see Accounting and Reporting Directive 71). The directive is concerned with four specific problem areas, beginning with reporting expenses for Political Action Committees (PACs). Audits of air carriers have revealed that costs borne by air carriers for their PACs are being incorrectly reported as operating expenses. However, for CAB Form 41 reporting purposes, both direct and indirect expenses incurred by an air carrier in creating or operating a PAC or similar organization should be classified in nonoperating Account 8189.9, "Other miscellaneous non-operating debits." Other reporting problems dealt with in this directive are: Schedule G-42, "Security Interests of All Officers and Directors and Compensation Paid to Principal Officers and Directors;" Schedule G-43, "Compensation and Expenses of Persons and Firms (Other than Directors, Officers and Employees) Earning \$20,000 or More During the Calendar Year;" and Reporting Settlements of Discriminatory Employment Practices and Other Unlawful Activities.

FEDERAL COMMUNICATIONS COMMISSION

The Commission's 42nd Annual Report, covering fiscal year 1976, is now available. The report contains detailed information on the functions and responsibilities of FCC Commissioners; a description of legislation enacted or pending which affects the Commission's activities; and sections concerning broadcast, common carrier, safety and special radio services. Copies of the report may be obtained from the GPO for \$4.50 each (S/N 004-000-00351-9).

FEDERAL RESERVE BOARD

An educational film demonstrating the functions of the nation's central bank has been released. Entitled "The Fed. . . Our Central Bank," the film shows how the Fed makes credit available for economic growth and jobs — by managing money and credit, clearing checks, putting coin and currency into circulation, supervising banks, and administering such consumer credit laws as truth in lending and equal credit opportunity. The 16mm film, which lasts for 20 minutes, is available on a free loan basis from Association Films, 866 Third Avenue, New York, New York 10022, as well as from the Board of Governors of the FRB and the 12 District Federal Reserve Banks.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Proposed rules clarifying and reorganizing existing procedural rules of the Social Security Administration's grant programs appeared in the 8/25/78 Fed. Reg., pp. 38318-53. The proposal contains clarifications of the rules concerning state grant programs on financial assistance, social services, child support enforcement, and medical assistance. Each program contains sections on Federal reviews and audits, program and financial reviews, and HEW Audit Agency reviews and audits.

INTERIOR, DEPARTMENT OF

Final rules on grants for mining and mineral resources, research institutes, and mineral research projects appeared in the 8/28/78 Fed. Reg., pp. 38556-65. In addition to the internal audits which the grantees must have performed in accordance with the specifications in attachment F to OMB Circular A-110, the rules also provide for onsite audits and inspections of grantees to be performed on behalf of the Secretary.

JUSTICE, DEPARTMENT OF

The antitrust suit filed two years ago by the Department charging the American Bar Association (ABA) with unlawfully restricting price advertising among its members was dropped last week. The Department stated that it was dropping the case because the ABA's lawyer restrictions "no longer dominate the regulation of lawyer conduct and to a very considerable extent lawyers are now free to advertise today." The Department's statement also referred to "dramatic changes" that have taken place since the suit was filed, including a ruling by the Supreme Court that lawyers have a constitutional right to advertise, and the ABA's efforts to liberalize its professional code.

LABOR, DEPARTMENT OF

The 1977 Annual Report of the Department has been released. The report describes DOL activities over the past year, with particular emphasis on accomplishments in their drive to increase employment. Also highlighted are the activities of various offices and bureaus within the Department, such as OSHA, the Bureau of Labor Statistics, and the Office of the Assistant Secretary for Administration and Management, which implemented the President's zero-based budgeting mandate for the Department's 1979 fiscal year budget. Copies of the report are available by calling 202/523-9711.

SECURITIES AND EXCHANGE COMMISSION

A new accounting standard for oil and gas producers based on recognized reserves will be developed over the next three years under the direction of the Commission. At an open meeting held on 8/29/78, the Commission voted to reject both the "successful efforts" accounting method as proposed by the FASB in FAS No. 19 and the "full cost" method advocated by critics of the FASB position. The Commission concluded that both methods are inadequate and called on the accounting profession to develop a new standard which would be called reserve recognition accounting or "RRA." Until the new standard is developed, companies will be given the choice of using either the successful efforts or full cost method. Under reserve recognition accounting, companies would treat the value of reserves as assets and would deduct all costs of exploration as expenses when they are incurred.

Requirements for financial statements of bank holding companies have been adopted. The Commission voted to approve the proposed Article 9 of Regulation S-X at an open meeting held on 8/31/78. Among the new requirements for bank holding companies are reports on foreign activities which represent an application of FAS No. 14 and the disclosure of receivables from officers, directors, principal stockholders, and their associates. It is expected that these requirements will appear in this week's Federal Register. For more information contact Lawrence Bloch at 202/755-1182.

TREASURY, DEPARTMENT OF

"An Analysis of Earnings and Profits -- With Recommendations" is the title of a new study published by the AICPA Tax Division's Earnings and Profits Task Force. The

report represents an exhaustive study of all available information on earnings and profits, analysis of the various existing problems, and recommended solutions. It contains an overall proposal to simplify the computation of earnings and profits. In addition, the special appendixes of source material include case tables, legislation and committee reports, Treasury rulings and procedures, and an annotated bibliography. The study is available from the Order Department, AICPA, 1211 Avenue of the Americas, New York, New York 10036 and costs \$4.00 for AICPA members and \$5.00 for non-members.

A single level appeals procedure to resolve tax disputes will become effective on 10/2/78 (see IR-2032). Under the new system a Regional Director of Appeals will be in charge of all appeals within each of the seven IRS regions. This office will also handle disputes now appealed to the Examination and Collection Divisions at district conferences and to the regional Employee Plans/Exempt Organization Staff. Taxpayers could previously appeal disputes to the district conference before going to the regional appellate level.

A meeting of the Commissioner's Advisory Group will be held on 9/13 and 9/14/78 at the IRS. Among the items to be discussed are the new single level of appeal, IRS reorganization, congressional actions, the audit lottery, tax forms simplification, and the effect of Executive Order 12044 on issuing regulations. For more information contact Lauralee Matthews at 202/566-4390.

Among those selected as members of the Advisory Group for 1978-79 is David A. Berenson, CPA, of Ernst & Ernst. Mr. Berenson is a member of the Executive Committee of the AICPA Federal Tax Division.

A public hearing will be held on the proposed rules to amend the regulations governing advertising and solicitation by practitioners before the IRS on 9/26/78 at the Treasury Department (see the 8/25/78 Fed. Reg., p. 38045.) Persons wishing to make oral statements should contact Leslie Shapiro, Director of Practice, at 202/376-0767 by 9/20/78.

Temporary regulations for executors of estates of decedents who died after December 31, 1976 appeared in the 8/16/78 Fed. Reg., p. 36244. Changes were made in the applicable tax law by the Tax Reform Act of 1976. The regulations delay the dates for furnishing information to the IRS and to beneficiaries on carryover basis property until 12/31/78.

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